

## AML/CFT Update - June 2020

### Kia ora koutou,

Welcome to the Reserve Bank of New Zealand's anti-money laundering and countering finance of terrorism (AML/CFT) update.

This newsletter focuses on a number of areas, including learnings from 2019, current topical issues during the response to the COVID-19 pandemic and some developing issues to be aware of. The past few months have been both challenging and uncertain. The Reserve Bank's AML/CFT Supervision team encourages all reporting entities to remain vigilant during these times as AML/CFT continues to remain a threat. As always, if your reporting entity has any questions or concerns, please do not hesitate to contact us at [amlcft@rbnz.govt.nz](mailto:amlcft@rbnz.govt.nz).

Noho ora mai

**Chris, Damian, Irene, and Sigita**

**AML/CFT Team, Reserve Bank of New Zealand**

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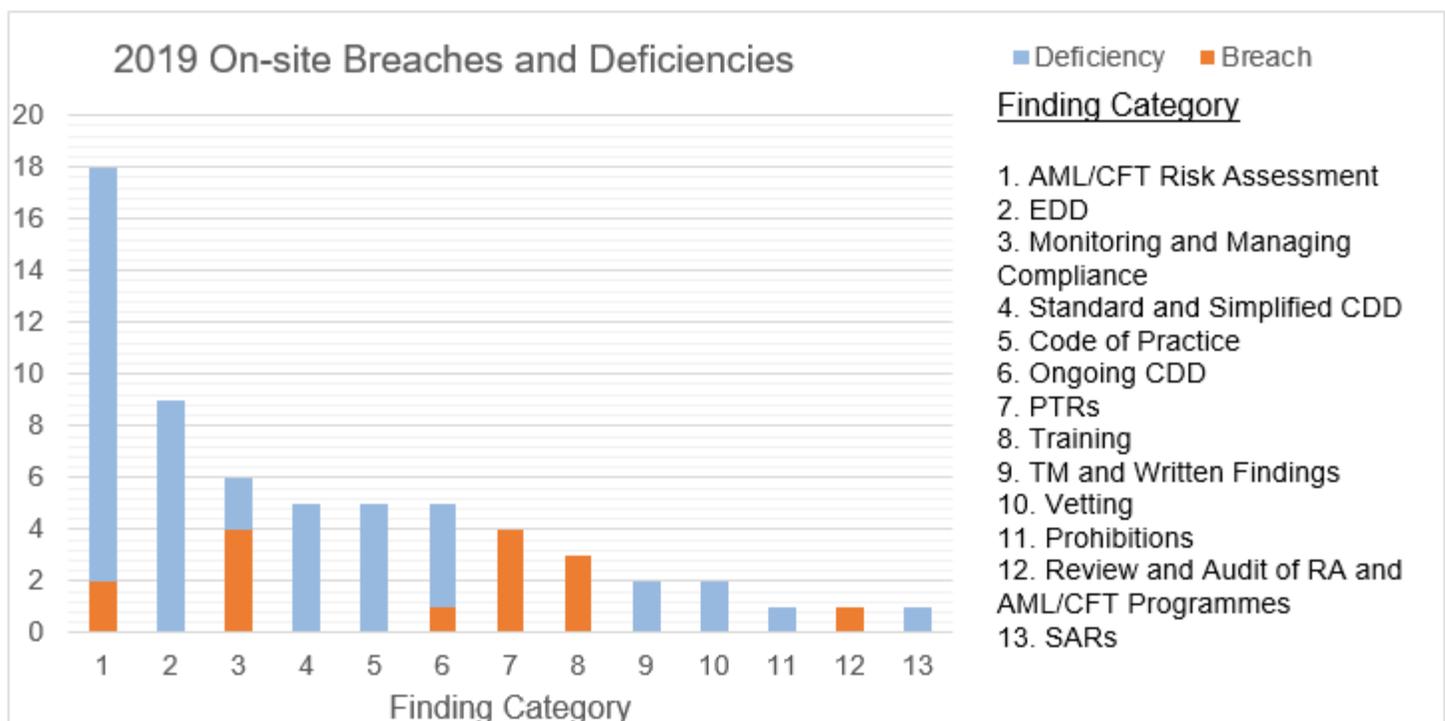


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## Learnings and findings from 2019 on-site inspections

During 2019, the RBNZ's AML/CFT Supervision team completed nine on-site inspections and five outreach workshops. The completed on-site inspections covered 27 reporting entities (REs), the greatest number in a given year since the regime began. Below is a table that contains an overview of the different types of breaches and deficiencies identified during the 2019 on-site inspections.



Outreach sessions were also a key component for 2019 and allowed the RBNZ to provide feedback to REs and create a platform for open discussion. The 2019 presentations had two main themes; evolution in the RBNZ's approach to AML/CFT supervision and enforcement, and thematic findings

from previous on-site inspections. Findings from on-site inspections were reclassified in 2019 as 'material breach', 'minor breach' or 'deficiency', and the criteria for each category was clearly communicated, taking effect on 1 September 2019. REs were notified of RBNZ's increased appetite for enforcement, particularly in relation to non-compliant risk assessments. As the graph above indicates, risk assessments continue to be an area of concern. For a refresher on the RBNZ's expectations with regard to a compliant risk assessment, please refer to the Evolution in Enforcement presentation on our website.

[Click here to access the 'Evolution in Enforcement' presentation](#)

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## Mutual Evaluation of New Zealand

From 26 February to 18 March 2020, New Zealand was subject to an assessment of both the adequacy and effectiveness of our AML/CFT system, more commonly known as a Mutual Evaluation (ME). The ME assessment team comprised of various international AML/CFT experts, representatives from the global body, Financial Action Task Force (FATF). The ME involved extensive information requests and interviews with public and private sector agencies.

The ME had two main components, technical compliance and effectiveness. The first component was an assessment of New Zealand's legislation and regulations against FATF's 40 Recommendations. The second component was an assessment of the effectiveness of New Zealand's AML/CFT system in practice.

RBNZ would like to thank the following entities for their active and open participation during the ME:

- ANZ Bank New Zealand Ltd
- Bank of New Zealand Limited
- Heartland Bank Limited
- Kiwibank Limited
- The Co-operative Bank Limited
- The Hongkong and Shanghai Banking Corporation Limited (NZ branch)
- Westpac New Zealand Limited; and
- New Zealand Bankers' Association.

From a Reserve Bank perspective, discussions during the ME were constructive and collaborative. We anticipate that there will be a number of positive findings as well as findings to improve and enhance New Zealand's AML/CFT system. New Zealand's ME Report is currently being drafted and it is not expected to be finalised and made publicly available until early 2021.

# Establishing new business relationships and terminating existing business relationships during different COVID-19 alert levels

## New business relationships



Despite the challenges associated with COVID-19, verifying the identity of a customer remains important and customer due diligence a core requirement for establishing a new business relationship.

Enabling account opening is important for the continued functioning of New Zealand's financial system under all COVID-19 alert levels. RBNZ is aware that some reporting entities have implemented electronic identity verification solutions which may assist with establishing business relationships with new customers without customers needing to physically enter bank premises. RBNZ encourages any reporting entity considering implementing a new electronic identity verification solution or making significant changes to existing solutions, to contact RBNZ to discuss further.

RBNZ encourages reporting entities to pursue pragmatic options that would enable good customer outcomes while complying with the restrictions of the COVID-19 alert levels and all other relevant regulations. Possible options include utilising the delayed verification provisions within the AML/CFT legislation. However, RBNZ would stress that transaction limitations to manage ML/TF risks and account monitoring must be imposed until verification requirements can be adequately completed. RBNZ expects verification requirements to be completed as soon as practicable after the business relationship is established. RBNZ acknowledges that the timeframe for completing may vary, depending on the conditions within each particular COVID-19 alert level.

## Terminating existing business relationships

While we acknowledge that there may be some cases where prompt action to close accounts is required and appropriate (i.e. due to fraud or cybercrime-related activities) RBNZ urges all banks to exercise caution when considering closing bank accounts in the current environment, even if the process was started prior to COVID-19 alert level 4.

If you have specific AML/CFT concerns, we encourage AML/CFT Compliance Officers to contact RBNZ's AML/CFT Supervision team to discuss further.

## **FATF publication relating to COVID-19 and its associated ML and TF risks**

On 4 May 2020, the FATF published paper titled 'COVID-19-related Money Laundering and Terrorist Financing Risks and Policy Responses'. It relates to the COVID-19 pandemic and its impact on AML/CFT obligations. This paper identifies challenges, good practices and policy responses to new money laundering and terrorism financing threats and vulnerabilities arising from the COVID-19 crisis.

[Download the FATF publication](#)

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## **Countries with strategic AML/CFT deficiencies**

The Financial Action Task Force (FATF) publishes details of high risk countries and jurisdictions, and the action taken in relation to them, when strategic deficiencies in their regimes to counter money laundering, terrorism financing and proliferation financing are found. It provides detailed insights into jurisdictions which reporting entities should consider as high risk when conducting a risk assessment.

As at 21 February 2020, there are 18 jurisdictions that have strategic AML/CFT deficiencies – [Albania](#), [The Bahamas](#), [Barbados](#), [Botswana](#), [Cambodia](#), [Ghana](#), [Iceland](#), [Jamaica](#), [Mauritius](#), [Mongolia](#), [Myanmar](#), [Nicaragua](#), [Pakistan](#), [Panama](#), [Syria](#), [Uganda](#), [Yemen](#) and [Zimbabwe](#).

The FATF continues to identify additional jurisdictions that have strategic deficiencies on an on-going basis on [their website](#).

In addition to the FATF information, New Zealand's Police and Ministry of Justice publish regular joint advisories regarding financial dealings with locations of specific concern. The advisories are issued following the latest FATF public statements to provide New Zealand financial institutions with best practice guidelines.

[See the advisories on the NZ Police website](#)

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## Asia Pacific Group Yearly Typologies Report 2019

The Asia Pacific Group on Money Laundering (APG) produces typologies reports on ML and TF techniques to assist governments and other stakeholders to better understand the nature of existing and emerging ML and TF threats. These studies assist APG members to implement effective strategies to investigate and prosecute ML and TF, as well as design and implement effective preventative measures.

[Download the latest report](#)

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## Prescribed Transaction Reporting

### SWIFT's migration to ISO 20022 for cross-border payments

The SWIFT network is undergoing changes to SWIFT messaging that could have an impact on reporting entities' compliance with Prescribed Transaction Reporting (PTR) obligations. At this stage, the impact of the migration to ISO 20022 on PTR obligations is not fully known. However, RBNZ encourages reporting entities with correspondent banking relationships to start considering and planning for SWIFT's migration to ISO 20022 for cross-border payments. This could also result in changes to existing PTR processes and controls. RBNZ understands that initial migration will commence from the end of 2022 and full decommissioning expected to be completed by the end of 2025.

[Click here for more information](#)

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## Annual AML/CFT Report 2020

Reporting entities are reminded that the 2020 Annual AML/CFT Report must be submitted to RBNZ by 31 August 2020. All RBNZ supervised reporting entities will receive their unique reference number over the coming weeks.

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## Contact Us

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